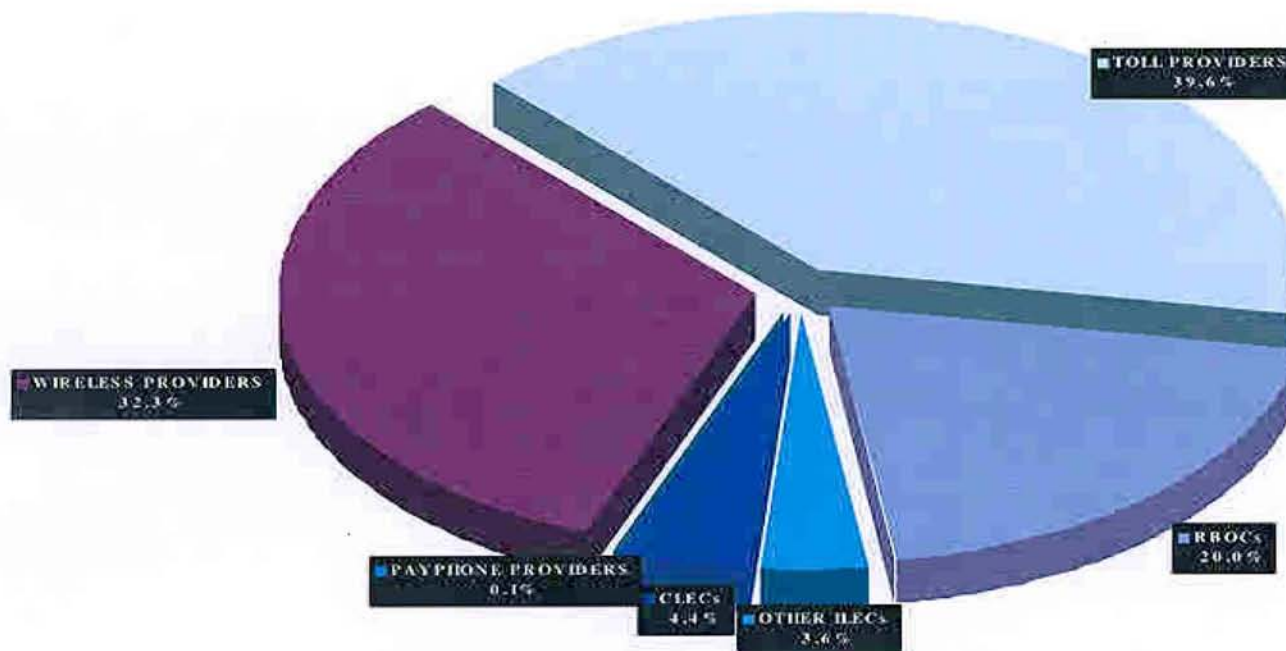




## USF: Wireless Carriers Are the Largest Contributors\*

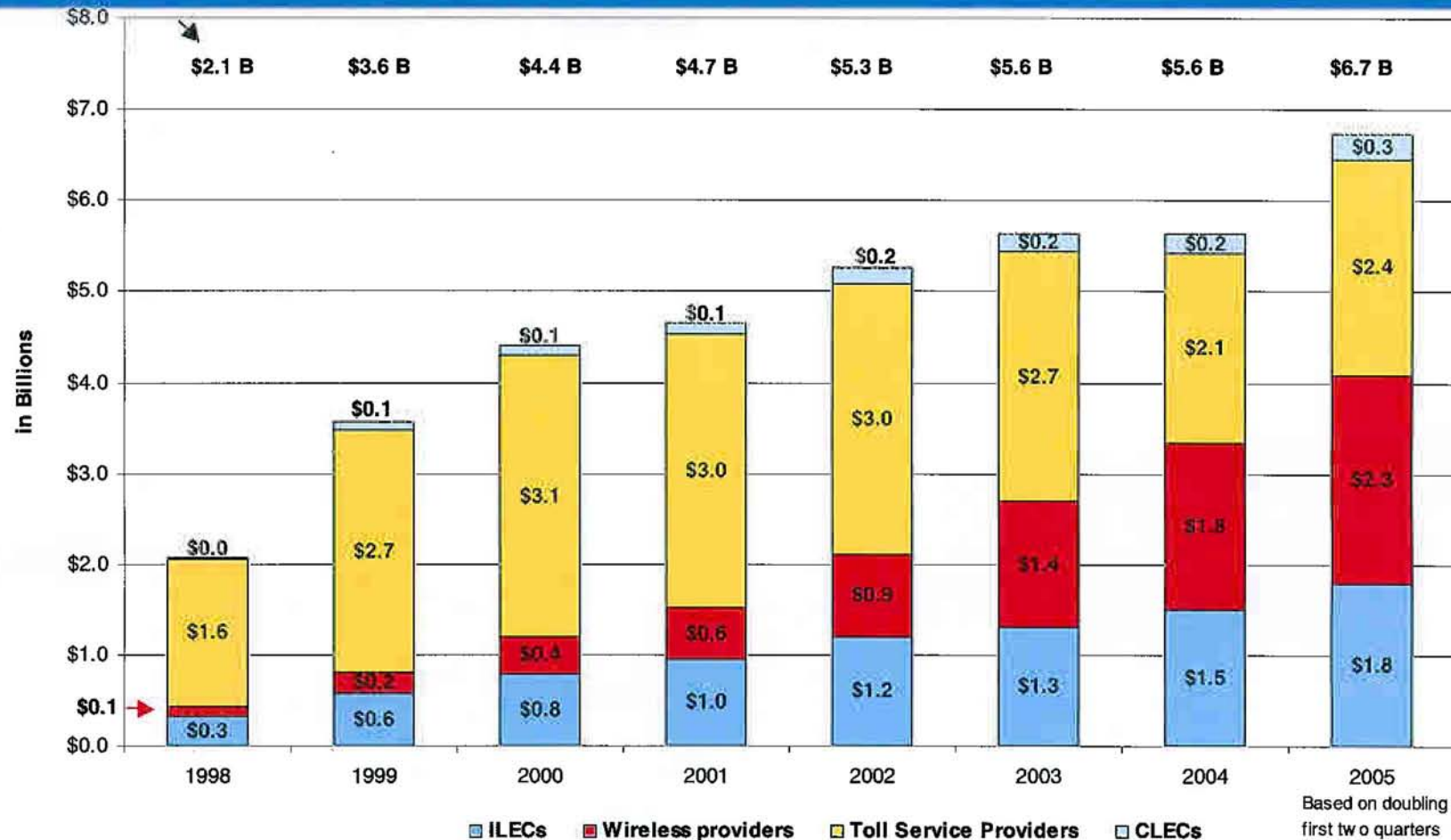
### FIRST QUARTER 2006 - PROJECTED CONTRIBUTION LEVELS



\*USF Support for CETCs Preserves and Advances Universal Service by allowing the largest contributor (it is anticipated that the increase in the wireless safe harbor together with declining toll revenue will result in wireless being the largest USF contributor in 4Q06) to the USF to use USFs to meet consumer needs.



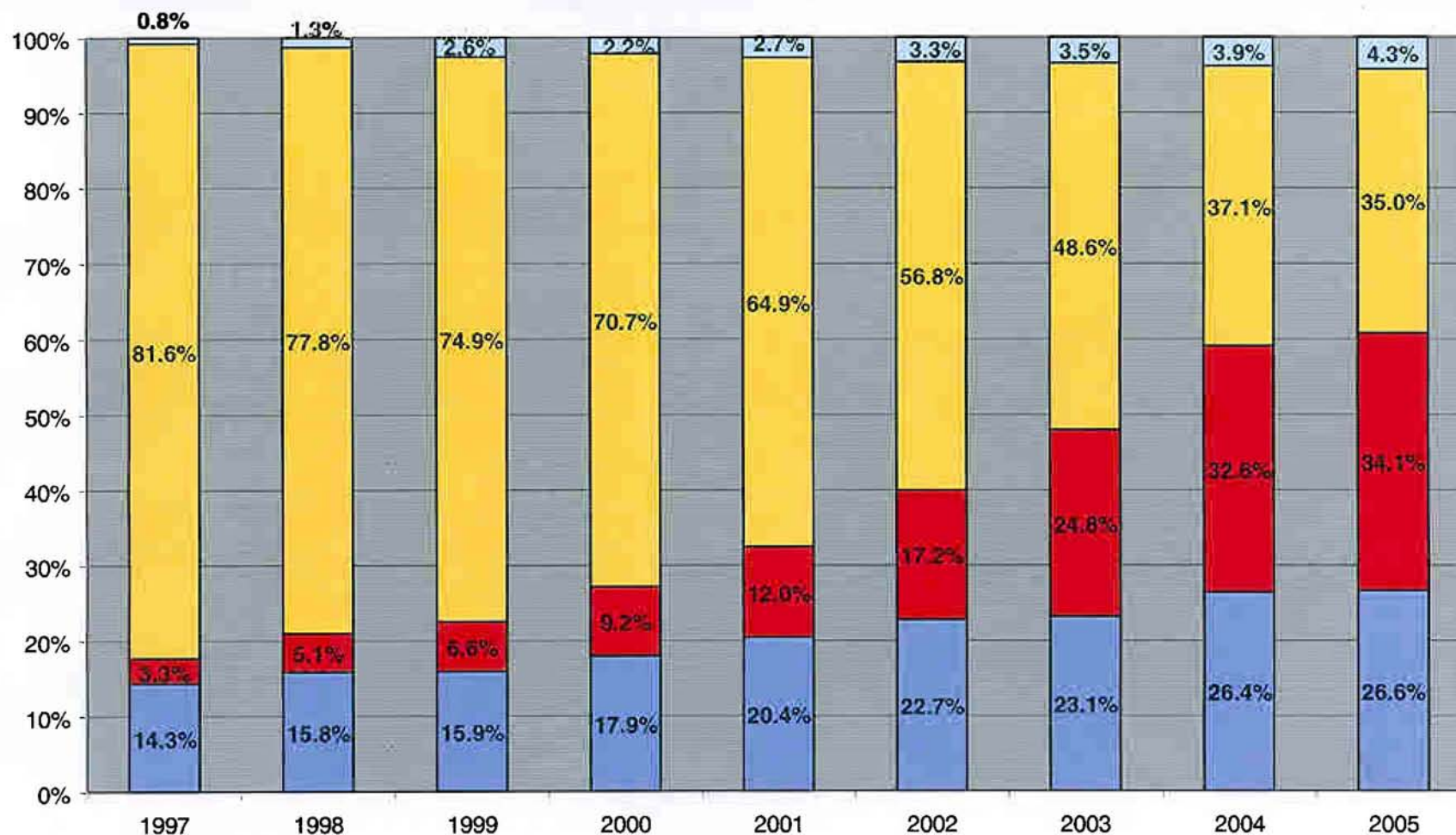
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## USF: Wireless Carriers Are the Largest Contributors\*



\* See note on previous page

Source: FCC Revenues Report

ILECs Wireless providers Toll Service Providers CLECs





## CETCs Preserve and Advance Universal Service

### USF Support for CETCs:

- Preserves Universal Service by allowing the universal service program to keep pace with the needs of consumers for access to wireless service
  - See Attachment A for letters from rural stakeholders
- Advances Universal Service by making service available to unserved and underserved areas
  - See Attachment B for announcements on new cell sites
- Advances Universal Service by providing rural communities with the benefits of universal service funding
  - See Attachment C for annual certification that demonstrates how USFs are being used to advance universal service
  - See Attachment D for Texas economic study
- State commission ETC decisions confirm that the goals of universal service are being met by CETCs



# CETCs Preserve and Advance Universal Service

## Testimonials

- Virginia Cellular's universal service offering will provide benefits to customers in situations where they do not have access to a wireline telephone. For instance, Virginia Cellular has committed to serve residences to the extent that they do not have access to the public switched network through the incumbent telephone company. Also, the mobility of Virginia Cellular's wireless service will provide other benefits to consumers. For example, the mobility of telecommunications assists consumers in rural areas who often must drive significant distances to places of employment, stores, schools, and other critical community locations. In addition, the availability of a wireless universal service offering provides access to emergency services that can mitigate the unique risks of geographic isolation associated with living in rural communities... *FCC Virginia Cellular ETC Order.*





# CETCs Preserve and Advance Universal Service

## Testimonials

- “The Commission finds that designating Western as an additional ETC in the study area of each rural telephone company will services to North Dakota consumers, by bringing competitive advance universal service by bringing new telecommunications choice for universal services to residential customers, by offering a highly reliable and top quality universal service offering, and by providing cost effective means for customers in remote areas to acquire universal services.” *North Dakota ETC Order.*
- “At least three of the goals underlying federal and state policies favoring competition – customer choice, innovative services, new technologies – would be served by facilitating [Western Wireless’] entry with universal service subsidies.” *Minnesota ETC Order.*
- “The Hearing Examiner finds that designating Western Wireless is in the public interest because consumers will benefit from competitive service and new technologies in high cost rural areas.” *New Mexico Recommended ETC Decision.*



# CETCs Preserve and Advance Universal Service

## Testimonials

- “We find that the provision of competitive service will facilitate universal service to the benefit of consumers in Wyoming by creating incentives to ensure that quality services are available at just, reasonable, and affordable rates. We believe that competition may provide incentives to the incumbent to implement new operating efficiencies, lower prices, and offer better service. We reject the general argument that rural areas are not capable of sustaining competition for universal service support. We do not believe it is self-evident that rural telephone companies cannot survive competition from wireless providers. Specifically, we find no merit to the contention that designation of an additional ETC in areas served by rural telephone companies will necessarily create incentives to reduce investment in infrastructure, raise rates, or reduce service quality to consumers in rural areas.” *FCC Wyoming ETC Order.*





## CETCs Preserve and Advance Universal Service

### Testimonials

- “If ALLTEL is granted ETC status, customers, particularly Lifeline and Linkup customers, will have the benefits of a substantially increased local calling area. This could serve to reduce their toll bills and could make the service offered by an alternative ETC much more economically desirable.” *Arkansas ETC Order.*
- “In this case, designating ALLTEL as an ETC is in the public interest because it is likely to promote competition and provide benefits to customers in rural and high-cost areas by increasing customer choice, while promoting innovative services and new technologies, and encouraging affordable telecommunications services. Further, ALLTEL provides service where there are few, if any competitive local exchange carriers.” *Michigan ETC Order.*





# CETCs Preserve and Advance Universal Service

## Testimonials

- “The Commission finds that designating ALLTEL as an ETC in areas served by rural companies will increase competition in those areas and, so, will increase consumer choice. While it is true that ALLTEL is currently serving in at least some of these areas, the availability of high cost support for infrastructure deployment will allow ALLTEL to expand its availability in these areas. Further, designation of another ETC may spur ILEC infrastructure deployment and encourage further efficiencies and productivity gains. Additional infrastructure deployment, additional consumer choices, the effects of competition, the provision of new technologies, a mobility option and increased local calling areas will benefit consumers and improve the quality of life for affected citizens of Wisconsin.” *Wisconsin ETC Order.*



## Distributing USFs to CETCs

Point: Wireless carriers are not receiving a windfall from the USF, but are spending USFs in a manner envisioned by Congress, the FCC and state commissions.

Proof:

- Legal requirement to spend USF consistent with 254(b)
- Certification requirements to demonstrate use of funds
- Portability of federal USF support is just a fraction of the total USF support received by the ILECs
  - See Exhibit A: USF Support Comparison
- Today, Alltel receives approximately \$12M per year in USF support in SD, but based upon a cost study performed by an outside consultant, Alltel would receive approximately \$15M in support if based upon its actual efficient costs.